

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

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FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 2932

UNCLAS THE HAGUE 0716

E.O. 11652: N/A

TAGS: ETRD, US, NL

SUBJECT: CENTRAL BANK RESTRICTIONS ON RESIDENTS' BORROWING FROM
NON-RESIDENTS

REF: (A) STATE 233649 (B) HAGUE 5605

1. SPECIFIC APPROVAL (LICENSE) FROM CENTRAL BANK IS REQUIRED FOR
RESIDENTS TO BE ABLE TO BORROW FROM FOREIGN COMMERCIAL BANKS (OR
FROM OTHER NON-RESIDENTS AS WELL, INCLUDING BORROWING THROUGH
INTRA-COMPANY TRANSFERS). HOWEVER, GENERAL LICENSE PERMITS
RESIDENTS TO BORROW UP TO GULDERS 100,000 PER NON-RESIDENT
(INCLUDING FOREIGN COMMERCIAL BANKS) PER YEAR, WITHOUT NEED FOR
INDIVIDUAL LICNSE APPLICATIONS AND WITHOUT RESTRICTION AS TO
TOTAL NUMBER OF NON-RESIDENTS FROM WHOM SUCH LOANS MAY BE OBTAINED.

2. WHILE BORROWING FROM FOREIGN COMMERCIAL BANKS IN EXCESS OF
100,000 GULDERS PER YEAR THEORETICALLY PERMITTED WITH CENTRAL
BANK LICENSE, THERE IS GENERAL RESTRICTION ON SUCH BORROWING
(I.E. LICENSE USUALLY NOT GRANTED) IF LOANS ARE TO BE USED FOR
FINANCING OF DOMESTIC ACTIVITIES, INCLUDING PAYMENT OF IMPORTS.
IN PRINCIPLE, HOWEVER, CENTRAL BANK WILL CONSIDER FAVORABLY
LICENSE APPLICATIONS FOR BORROWING FROM FOREIGN COMMERCIAL BANKS
WHERE LOANS ARE INTENDED FOR FINANCING. (A) DIRECT INVESTMENT
OUTSIDE THE NETHERLANDS OR (B) PURCHASE FROM NON-RESIDENTS OF
SEAGOING VESSELS AND AIRCRAFT FOR USE ON CONTINENTAL AND INTER-
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CONTINENTAL FLIGHTS.

3. BORROWING FROM EXIMBANK.

EXCEPTION TO ABOVE (PARA 2) RULE IS BORROWING FROM EXIMBANK. CENTRAL BANK POLICY (NOT PUBLISHED) IS TO APPROVE ROUTINELY LICENSE APPLICATIONS FOR BORROWING FROM EXIMBANK (WITHOUT RESTRICTION ON AMOUNT OF LOAN) PROVIDED THAT LIFE OF EXIMBANK LOAN IS NOT LONGER THAN CUSTOMARY SUPPLIER CREDIT WOULD BE IN RELEVANT BRANCH OF TRADE. WHERE LIFE OF EXIMBANK LOAN IS LONGER THAN CUSTOMARY SUPPLIER CREDIT WOULD BE, CENTRAL BANK WILL CONSIDER APPLICATIONS FOR LICENSE ON CASE BY CASE BASIS.

4. TRADE CREDIT

RESIDENTS DO NOT RPT NOT REQUIRE CENTRAL BANK LICENSE FOR GRANTING TRADE CREDIT TO OR RECEIVING TRADE CREDIT FROM NON-RESIDENTS WHERE TERMS OF CREDIT ARE CUSTOMARY IN TRADE. HOWEVER, SPECIFIC PERMISSION IS REQUIRED IN ORDER FOR RESIDENTS TO BE ABLE TO RECEIVE TRADE CREDIT FROM NON-RESIDENTS IF PAYMENTS FOR IMPORTS WILL BE LATER THAN NORMAL (BECAUSE THE TERMS OF PAYMENT DEVIATE FROM WHAT IS CUSTOMARY IN TRADE), OR, IN CASE OF EXPORTS, IF PREPAYMENTS RECEIVED BY RESIDENT ARE OTHER THAN WHAT IS CUSTOMARY IN TRADE.

5. IN ALL CASES WHERE SPECIFIC CENTRAL BANK PERMISSION IS REQUIRED, LICENSE APPLICATION MUST BE MADE BY A RESIDENT. APPLICATIONS ARE USUALLY MADE THROUGH AUTHORIZED BANKS IN THE NETHERLANDS RATHER THAN DIRECTLY BY RESIDENT TO CENTRAL BANK. ALTHOUGH DECISION IN EACH CASE IS MADE BY CENTRAL BANK.
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